

Western's Summarization of Questions/Answers
July 9, 2003 Public Information Forum
Operational Alternatives Post-2004 Operations

Wherever Western has supplemented its responses to more completely answer questions raised during the question period it is posted in red
(For a verbatim copy, contact Capitol Reporters @ (916) 923-5447)

Question: Have you identified how costs for each scenario will be allocated to direct connected customers of the Federal transmission system?

Answer: Regardless of the alternative selected, the allocation of costs and corresponding rates is part of the Rates Process. This is a separate proceeding and will commence in early 2004. Information is available on Western's website at <http://www.wapa.gov/sn/P04/rates.asp>.

Question: Would there be an accommodation if a direct connected customer provided his own ancillary services (e.g., reserves)?

Answer: Under the control area alternative, the draft intra-control area agreement contemplates the possibility of an accommodation for any customer providing his own ancillary services. **No agreements will be consummated until Western makes a final decision.**

Question: What is the basis for stating that the COTP will be part of either the metered subsystem or the control area?

Answer: It was an assumption for the purposes of the Navigant comparative benefits study. **To date, COTP participants have not formally committed one way or another to either including or excluding their facilities from a Western metered subsystem or a Western control area.**

Question: Have you studied the cost impacts of this plan on other customers within California? Have you analyzed cost shifts in conjunction with your studies?

Answer: The Navigant study examined the comparative cost relationships between the three operating scenarios only for Western's customers. An analysis of impacts to other interested stakeholders was beyond the scope of the study and therefore not performed.

Question: Can the Cal ISO by royal decree prevent the rest of us (i.e., non-direct connects from participating in the Western Control Area) or is there any way for us to force the Cal ISO to let us have a choice and choose the control area?

Answer: Western deferred this response to the CAISO representative. The CAISO representative said, “the CAISO is not a monarchy. As an interested party, the CAISO has an interest in the outcome. Control areas are formed by the WECC in conjunction with its members. Consequently, CAISO has no authority to preclude the formation of an additional control area. CAISO however, has a number of concerns and wants to ensure that the interests of California consumers are considered. Operating and cost shift issues raised by Western’s proposal need to be considered before a final decision is made. CAISO has undertaken a preliminary review of the Navigant study and determined at least ten significant areas of concern.”

Question: Did you include internal costs for each customer in your analysis?

Answer: The costs that individual customers would incur as a result of implementing each alternative scenario was not included in the comparative benefit study.

Question: Did you exclude the concept of a PTO being an MSS?

Answer: Western initially did not identify this as a possible operational alternative. Consequently, the Navigant comparative benefit study did not model it. Western is willing to consider options other than the three identified to date.

Question: Has Western actually seen an MSS agreement from the ISO that would cover the federal facilities, or is that something to come?

Answer: **A Western-specific MSS agreement encompassing federal facilities has not been specifically provided by the CAISO.** However, Western has reviewed the Metered Sub System agreement executed by the Northern California Power Agency.

Question: To what extent does some of the more egregious provisions of the PGA get carried into the MSS agreement?

Answer: During our informal discussions with the CAISO, the CAISO has indicated a willingness to work with Western and the Bureau of Reclamation to accommodate concerns related to the statutorily authorized operation of the CVP power facilities. Because we are in a public process to determine our final post-2004 operational configuration, we have deferred substantive follow-on discussions.

Question: Has Western examined the impact MD02 would have on the metered sub system?

Answer: No.

Question: Have you looked at the WAPA metered subsystem concept in what I call optimum dispatched ISO control area?

Answer: No.

Question: In regards to the control area alternative, what sort of cost did you anticipate for non-direct connected customers, like meter reading and other costs like that?

Answer: The Navigant study did not focus on individual customer costs. In general, the cost of a revenue quality meter for a 12-kv site for example, is approximately \$10,000. Labor and telecommunication line expenses are additional. As the voltage increases, the cost of the revenue quality meter will also increase.

Question: Wheeling costs are shown in all the alternatives. The costs are represented as TAC charges under the ISO tariff. Does that include the PG&E low voltage charges or any PG&E distribution charges?

Answer: The wheeling expenses include the PG&E local component. However, it does not include any distribution charges.

Question: Whenever you look at one of the ISO options did you make the assumption that you'd always be leaning on the system, and getting balancing energy from the market?

Answer: The Navigant study assumed a 3 percent deviation charge.

Question: Did you assume the same 3 percent deviation charge on the Western options?

Answer: Yes.

Question: Have you studied the complexities and costs associated with operating the system with the third control area interposed?

Answer: We understand that the creation of a new control area will create the need for new business processes. We are currently working with the Bonneville Power Administration to understand the complexities and issues. If a decision is made to create a new control area, these issues will have to be addressed as part of the WECC certification process.

Question: What is the availability of additional information on the Navigant Study?

Answer: We are currently working with the CAISO to fulfill a request for data and assumptions used in the comparative benefits study. Western will post whatever information is shared with the CAISO or others on our external website.

Question: Is there time in the process somewhere for possible re-evaluation or additional study time as a result of comments from this proceeding if you decide you should look at some other scenarios?

Answer: Western must be ready to implement its new marketing plan on January 1, 2005. Our existing contracts also expire on this date. Western thus has a very narrow time window during which time it must make a decision related to its post-2004 operational configuration.

Question: When looking at the options, is it possible that we choose one of these options, the possibility of going to one of the other options down the road, or is it select one and stick to it? Would that be a possible approach, or is it possible that down the road there is potential for picking one of the other options? Is there a logical step among these three alternatives?

Answer: Western has no preconceived ideas. Flexibility to respond to changes in the industry is one of the five evaluation factors identified in the Federal Register Notice. If you have any suggestions, as to other factors to consider and logical steps, please provide your comments.

Question: Could we have posted on the Internet a more specific detail list of the assumptions that went into the Navigant study?

Answer: Yes, Western is preparing information regarding assumptions and will post it on the website.

Question: In your analysis, can you include what the estimates are for impact specifically in A, B, and C, but what the costs are going to be those that are not part of the control area?

Answer: Western does not have the necessary data to do that now. **Your request is noted.**

Question: How are going to allocate costs so, for instance, are the non-direct connects going to have to pay for the costs of you establishing a control area? If there are net benefits, are you going to find some way of allocating it around so that everybody benefits?

Answer: Cost allocation and repayment will handled through a separate Rate Process. **That process will start in early 2004.**

Question: For full load service customers, were their total loads used or just their Base Resource allocation?

Answer: Total loads were used for full load service customers. The direct connected customers had only their Base Resource loads included.

Question: CAISO indicate they are concerned about cost shifts to other California customers associated with Western's proposal. Doesn't the study show that cost shifts to CVP customers occur?

Answer: The study shows how costs change to Western customers when existing contracts with PG&E terminate; and the relative impact of the termination for each alternative.

Question: With respect to your PACI assumption, did you look at full recovery of Western's 500-kv line at 1,000 megawatts?

Answer: The study assumed that revenues accrued from only Western's 400-megawatt allocation.

Question: What is the bandwidth error of the study? Is the error 200, 300, or 400 percent? And would any of these options have a more narrower bandwidth? If some of the variables change, would the accuracy change?

Answer: Depending on the assumptions, the bandwidth error for the study can vary. We are uncertain of the bandwidth error of the study. The study attempted to do a relative comparison between the alternatives so that as variables change, the relative differences between the alternatives could be arrayed.

Question: A concern about cost shifting has been raised. I would ask that as Western performs its analyses that cost shifts to all parties be considered.

Answer: The request is noted.

Question: Assuming that COTP goes into the WAPA entity and assuming that the WAPA entity becomes a metered subsystem, can you tell me at this point in time what a direct connect utility like MID would look like to WAPA in terms of costs? Would we end up getting all of the ISO costs as, let's say part of the scheduling along with COTP?

Answer: Western understands that under the CAISO's MSS proposal, participants will be exempt from some of the CAISO-administrative and tariff administered charges that would normally apply to all other users of the system. In addition, under an MSS arrangement, generation internal to the MSS may be "netted" against flows at the MSS's metering boundaries.

Question: Under a metered subsystem approach (and assuming that COTP is part of the MSS) will entities like MID be “immunized” from ISO costs?

Answer: Yes.

Question: There's a small little piece of copper that belongs to WAPA that COTP crosses as it comes to Modesto. By virtue of that, will that remain outside of ISO's control should you become a metered subsystem?

Answer: Yes.

Question: How much discussion has occurred with SMUD who's recently done it to maybe talk about what was included? Are they part of the study?

Answer: Western has had discussions with SMUD about their own experiences in forming a control area. **As a variable resource customer, SMUD's Base Resource allocation was included in the study.** If Western decides to form a control area, as part of the control area certification process, Western must comply with WECC guidelines and **demonstrate that impacts to third parties are mitigated.**

Question: What percentage of the total load is the Base Resource allocation for full load service customers?

Answer: **Using fiscal year 2001 generation and load data, approximately 35% of the existing full load service customers' loads at their current delivery points are met by their Base Resource allocation. This percentage does not include an estimate for new allottees.**

Question: I understand if you are not part of the ISO control area, that you cannot sell regulation. I notice that your revenues increase under the control area option. If you can't sell regulation, why do your revenues go up?

Answer: Under the control area alternative, the study assumed lower reserve requirements. The lower reserve requirements increased revenues.

Question: In establishing your reserve requirement, did you use the single largest contingency?

Answer: The Navigant comparative benefit study did not use the single largest contingency in determining reserve requirements. If a control area is formed, when a reserve requirement is established, it will be based on the largest single contingency.

Question: Are there some scenarios under which the relative ranking of the choices could change as a result of changes in some of the underlying assumptions (e.g., change in reliability services, MD02)?

Answer: Changes in the some of the underlying assumptions could result in different results. The study did not include a sensitivity analysis to identify the impacts of such changes.

Question: The study mentioned ancillary services revenue. How will those revenues be rebated back to WAPA customers?

Answer: The Navigant study is a comparative benefit study, and not a financial analysis. Changes between the alternatives do not necessarily translate into revenues, which can be shared by participants.

Question: Why would your study assume different levels of ancillary service requirements between the ISO control area option and the Federal control area?

Answer: The study assumed historical reserve requirements, which were either set aside or established by the ISO for both the PTO and the MSS options, and used standard reserve requirements associated with the operation of a hydropower system for the control area option.

Question: What is the deadline for getting our questions in?

Answer: Questions should be forwarded to Tom Carter on or before July 15th. Responses to the questions will be posted on or before July 22nd.

Question: If WAPA becomes a control area and the COTP goes into that control area, how would it be operated? Will the ISO maintain some kind of operational control of it or will it be exclusively WAPA?

Answer: If a control area is formed, WAPA would be responsible for operating and maintaining the COTP and PACI lines. In addition, WAPA would be responsible for scheduling and coordinating the schedules with BPA, the CAISO, and the reliability coordinator. **Western assumes the CAISO would continue as the path operator.**

Question: Did you test the extremes of your assumptions such that a person who is risk adverse might be able to avoid a real bad outcome on one side? Was a sensitivity analyses done?

Answer: The study did not test the extremes of our assumptions. The study did not include a sensitivity analysis.

Question: Specific questions related to costs are shown on the cost summary on page 10. What is driving those costs? Why would benefits of the alternatives increase over the PTO option? Which charges are the most sensitive?

Answer: Certain costs (e.g., market ISO costs, cost of ancillary services) were assumed to increase over time. Formation of a control area reduces exposure to ISO costs. As exposure to these costs decrease, benefits go up since your loads are no longer subject to the charges. The cost drivers are Reliability Service and transmission costs.

Question: You appear to have changed positions related to facilities in the control area. Does your plan still include those two lines (COTP and PACI) in the proposed Federal control area?

Answer: The plan still contemplates including COTP and PACI in the proposed control area.

Question: Do you still plan to ask the ISO to serve as the path operator as we are now for Path 66? And what is the ISO's role?

Answer: Under the control area alternative, the CAISO would continue to serve in the role of path operator. We see the path operator determining the capability of the three-line system, to oversee schedule cuts, and monitoring OTC.

Question: What assumptions were made as far as the joint facilities owned by the CVP and State Water Project as far as remaining in the ISO control area?

Answer: The study assumed that the State Water Project remained in the ISO control area.

Question: For the COI, what did you use to represent congestion costs?

Answer: The study included intra-zonal congestion estimates and charges as well as intra-zonal congestion. On the COI congestion charges were assumed for deliveries or use of the Intertie and Western's entitlements. The charges were based on historical congestion costs at COI.

Question: Can you explain the parallel pipes issues brought up by the CAISO?

Answer: This answer was deferred to the CAISO representative. The CAISO stated, "the parallel pipes issue relates to having two different scheduling systems, two different transmission access charge mechanism, and two different congestion management systems, in the event Western moves forward to implement a control area. CAISO indicated they were concerned about seams issues and the impact that Western's proposal would have on the cost of importing power from the Pacific Northwest for those entities using new firm use. In addition, CAISO indicated they were concerned that bifurcating a path could result in suboptimal conditions and result in inefficient use of the transmission system."

Question: Is Western going to expand on the five factors shown on slide No. 29?

Answer: If you have any thoughts and suggestions on clarifying and/or adding to the definition, as well as adding other criteria, please send us your comments.

Question: Why does ancillary services, as a revenue, change across the alternatives?

Answer: The study assumed that reserve requirements for the control area option was lower than the CAISO alternatives, and accordingly, this caused ancillary services benefits to increase for the control area alternatives.

